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REVIEW

FINAL REPORT

Review of MECMS Stabilization Reporting – Reporting Provides Realistic Picture; Effective Oversight Requires More Focus on Challenges and Risks

Report No. RR-MECMS-05

a report to the
Government Oversight Committee
from the
Office of Program Evaluation & Government Accountability of the Maine State Legislature

December
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ABOUT OPEGA & THE GOVERNMENT OVERSIGHT COMMITTEE

The Office of Program Evaluation and Government Accountability (OPEGA) was created in 2003 to assist the Legislature in its oversight role by providing independent reviews of the agencies and programs of State Government. OPEGA began operations in January 2005.

Oversight is an essential function because legislators need to know if current laws and appropriations are achieving intended results. Although the Maine Legislature has always conducted budget reviews and legislative studies, until OPEGA, the Legislature had no independent staff unit with sufficient resources and authority to evaluate the efficiency and effectiveness of Maine government. The joint legislative Government Oversight Committee (GOC) was established as a bipartisan committee to oversee OPEGA's activities.

OPEGA's reviews are performed at the direction of the Government Oversight Committee. Legislators, committees, or members of the public should make their requests for reviews to the Chairpersons or any other member of the Committee.

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Purpose

Efforts to stabilize MECMS have been ongoing since premature implementation in January 2005.

OPEGA recently completed a review of reporting to the Legislature on efforts to stabilize the Maine Claims Management System. The review was conducted at the direction of the joint legislative Government Oversight Committee.

Phase I of the new Maine Claims Management System (MECMS) for MaineCare (Maine's Medicaid) went live on January 27, 2005. Since its implementation, MECMS has been the only system available for processing claims submitted by the State's MaineCare providers.

The implementation of MECMS Phase I proved to be premature as the system was incapable of successfully processing and paying providers' claims in a timely manner. Efforts to stabilize the operation of MECMS began shortly after implementation and are still ongoing. The delays in paying providers' claims have resulted in continued reliance on Interim Payments, estimated payments made to providers to help support their operations.

Responsibility for stabilization efforts is jointly shared between the Office of Information Technology (OIT) within the Department of Administrative and Financial Services (DAFS) and the Office of MaineCare Services (OMS) within the Department of Health and Human Services. Management's stated stabilization goal is to have MECMS operate as a "predictable and reliable" system with a manageable level of Suspended Claims that allows the elimination of Interim Payments. Stabilization and related efforts are expected to continue until well into 2006.

OPEGA evaluated whether reporting to the Legislature provided an accurate and complete picture of stabilization status, associated challenges and risks.

The complex MECMS situation is being overseen by two legislative Joint Standing Committees – the Committee on Appropriations and Financial Affairs (AFA) and the Committee on Health and Human Services (HHS). Management provides progress reports to these JS Committees on a monthly basis.

The purpose of OPEGA's review was to determine whether these reports are providing the Legislature with an accurate and complete picture of MECMS Stabilization status and the associated challenges and risks.

Conclusions

OPEGA has formed the following conclusions from this review:

OPEGA concluded the reporting on MECMS status provides a realistic picture. Effective oversight requires focus on challenges and risks; sharing of information among legislators.

1. The written Progress Reports and oral briefings Management now provides to the AFA and HHS Committees do present a realistic picture of the current status of MECMS Stabilization and other related efforts.

2. Members of the JS Committees may be limited in their ability to perform effective oversight by an insufficient understanding of all the significant challenges and risks involved. (See Appendix B for a summary of these.)

3. Legislators have differing information and perspectives on the MECMS situation which affects the accuracy and consistency of information being relayed to the public.

OPEGA noted several specific findings and observations related to these overall conclusions that are discussed in detail in the full report.

Recommended Actions

For Management

OPEGA discussed opportunities for improvement with the responsible management teams at DAFS and DHHS. Management agreed to take the following actions to address OPEGA's findings and observations:

Management agreed to take action to address OPEGA's findings and observations.

- determine and implement appropriate controls to verify the accuracy and completeness of performance data generated from MECMS; and

- if requested, deliver a presentation to the JS Committees of jurisdiction on the root causes of the MECMS implementation failure as noted by OPEGA.

In addition, Management had already incorporated OPEGA's suggestions for improving the monthly MECMS Progress Reports into a new report format that was first used in October 2005.

OPEGA recommended legislative actions to improve effectiveness of MECMS oversight.

For the Legislature

OPEGA also recommended certain legislative actions to improve the effectiveness of legislative oversight in regards to MECMS. The following suggestions have been discussed with the Senate President and the Speaker of the House:

- Provide increased opportunities for fuller discussion of status, challenges and risks for all MECMS-related efforts.
- Reduce the time spent on Management's oral walk-through of written Progress Reports in order to spend more time on questions and answers with fuller discussions of challenges and risks.
- Arrange for AFA and HHS Committees to meet jointly to receive oral briefings on MECMS-related efforts whenever possible.
- Utilize non-partisan legislative staff to help JS Committee members obtain an adequate frame of reference for the MECMS situation.
- Share information obtained by the AFA and HHS Committees with all other legislators.

More details are presented in the full report.

Appendices A and B also contain additional information helpful for understanding the MECMS situation. Appendix A contains a description of how MaineCare claims are processed and definitions of key terms related to MECMS. Appendix B is a summary of areas that represent major challenges and risks for MECMS-related efforts. It includes some discussion about those challenges and risks as well as key questions for legislative oversight.

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FULL REPORT

Review of MECMS Stabilization Reporting – Reporting Provides Realistic Picture; Effective Oversight Requires More Focus on Challenges and Risks

Purpose

OPEGA recently completed a review of reporting to the Legislature on efforts to stabilize the Maine Claims Management System (MECMS). The review was conducted at the direction of the joint legislative Government Oversight Committee in accordance with M.R.S.A. Title 3, Chapter 37, §991-997.

The review's purpose was to determine whether the Legislature is receiving an accurate and complete picture of MECMS Stabilization status and the associated challenges and risks.

OPEGA evaluated whether reporting to the Legislature provided an accurate and complete picture of stabilization status, associated challenges and risks.

In conducting this review, OPEGA:

- interviewed State officials and consultants;
- reviewed relevant documents;
- obtained perspectives of legislators;
- observed presentations to Joint Standing Committees;
- verified data and trends being reported to the Legislature;
- developed an understanding of activities and processes related to MECMS;
- reviewed information available on the State's website;
- interviewed a sample of providers; and
- observed progress made over the time period of this review.

This review was initiated in mid-August 2005. An Interim Report on this review was presented to the Government Oversight Committee on November 28, 2005.

Background

Overview of the MECMS Situation

MECMS History

MECMS Phase I went live on January 27, 2005. The new system was necessary to comply with HIPAA; required by Federal CMS.

Phase I of the new Maine Claims Management System (MECMS) for MaineCare (Maine's Medicaid) went live on January 27, 2005. MaineCare is administered by the Office of MaineCare Services (OMS) within the Department of Health and Human Services (DHHS). Since its implementation, MECMS has been the only system available to OMS for receiving, validating, and processing claims submitted by the state's MaineCare providers.

MECMS replaced the Maine Medicaid Information System which had been used by the State for roughly the last 25 years. The new system was required by the Federal Centers for Medicare and Medicaid Services (CMS) to meet regulatory requirements under the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Similar systems are being required of all states. Federal CMS has been funding 90% of the system development and implementation.

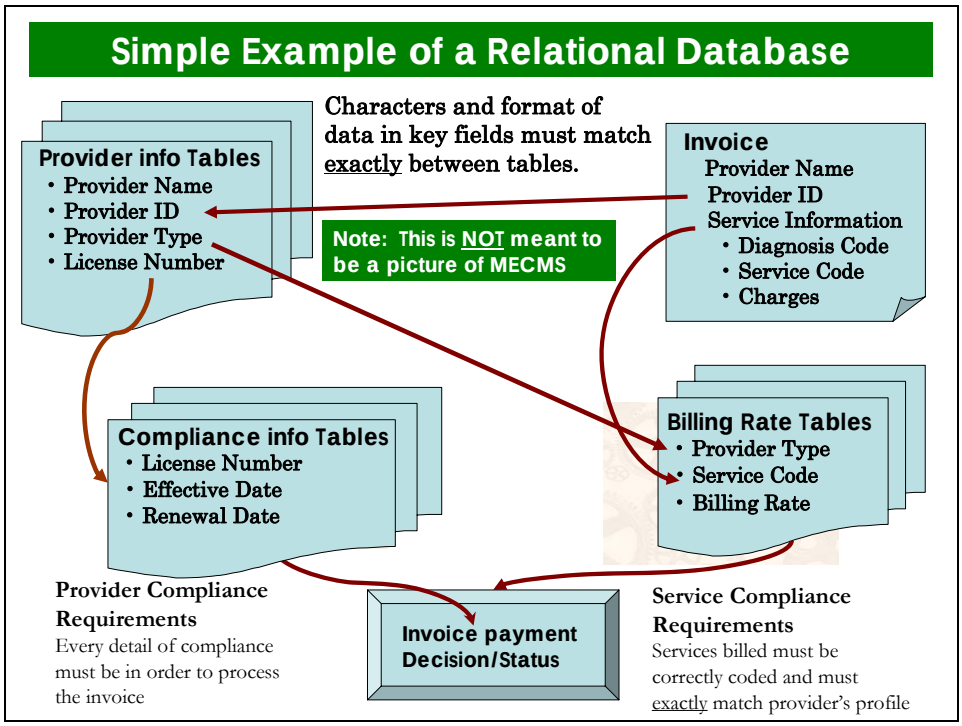
The MECMS system implementation project began in 2001 when DHHS (formerly Department of Human Services) contracted Client Network Services, Inc. (CNSI) to design, develop, test, implement and temporarily operate MECMS. At that time, information systems for DHHS were managed internally by the Division of Technology Services at DHHS. Earlier this year, the DHHS IT function was absorbed into the new Office of Information Technology under the Department of Administrative and Financial Services.

MECMS Design

MECMS design allows easier system changes when policy changes occur – but accuracy and consistent formatting of data is critical.

MECMS is a rule-based system built on a relational database design. Such a design offers a major benefit in ultimately allowing the State to easily make changes to the "rules" under which claims are processed as changes in federal or state policy occur. The design will also force compliance with the data requirements under HIPAA. The Federal CMS has been very supportive of this innovative approach.

The drawback of a relational database design is that the accuracy and format of the individual pieces of data is of critical importance. This is because the databases within MECMS are trying to relate to each other by matching up the information in certain data fields.



MECMS Stabilization Efforts

MECMS Phase I implementation proved premature. System was not capable of successfully processing MaineCare claims in timely manner.

The implementation of MECMS Phase I proved to be premature as the system was incapable of successfully processing and paying providers' claims in a timely manner. Efforts to stabilize the operation of MECMS began shortly after implementation. However, the State's capacity to effectively respond to system failures was initially limited by weaknesses in key areas including:

- detailed understanding of MECMS and federal requirements including HIPAA;
- project management;
- data availability and reliability;
- risk management; and
- protocols for system changes.

State's capacity to deal with MECMS failures initially limited by weaknesses in key areas.

Stabilization efforts = Activities undertaken to resolve problems with MECMS so that MaineCare claims are fully processed on a regular and timely basis.

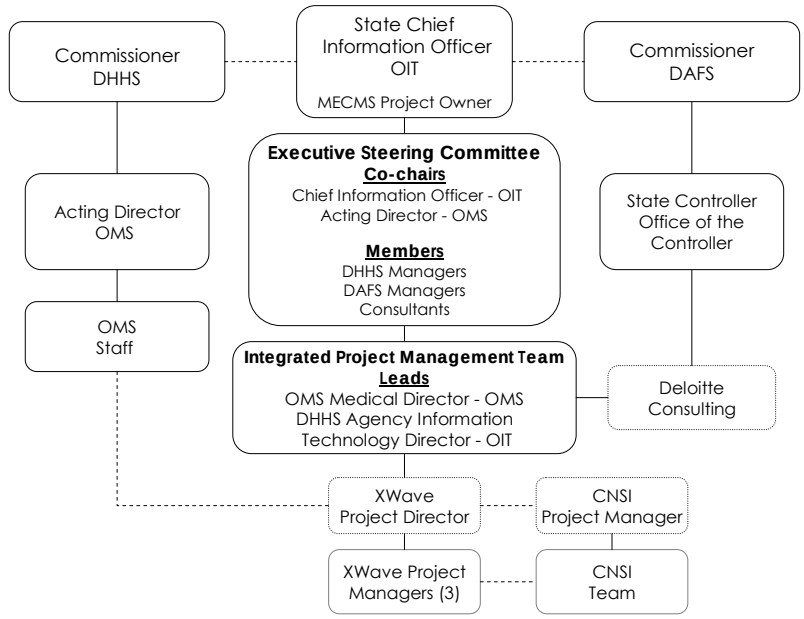
In April 2005, the Governor assigned the State's Chief Information Officer (CIO) as MECMS Project Owner with responsibility for managing the contract with CNSI. The CIO's organization is part of the Department of Administrative and Financial Services (DAFS) and is undergoing transformation into the new Office of Information Technology (OIT). The transformation plans called for new Agency Information Technology Directors, who report to the CIO, to be put in place at each

State CIO became MECMS Project owner in April 2005. CIO and Acting Director of OMS were assigned joint responsibility for stabilization efforts in June 2005.

State Department. The placement of the Agency Information Technology Director for DHHS was expedited because of MECMS.

In June 2005, the Governor assigned joint responsibility for MECMS stabilization efforts to the CIO and the DHHS's Deputy Commissioner of Health, Integrated Access and Strategy, who is serving as the Acting Director of the Office of MaineCare Services. As a result of these assignments, DAFS and DHHS (collectively referred to as "the State") have been working together closely on MECMS-related efforts.

MECMS Project Organization



The top management officials of these organizations (Commissioners, Deputy Commissioners, CIO and Controller) took actions to address the weaknesses highlighted above, thereby setting the stage for measurable progress. These actions have resulted in:

DAFS and DHHS are working closely together on MECMS-related efforts with assistance of consultants. Actions have been taken to address initial weaknesses.

- **Top administration officials staying heavily involved** – A MECMS Steering Committee (hereafter referred to as "Management") that includes all key decision makers from DAFS and DHHS was established. The Steering Committee meets regularly to evaluate progress, set high level priorities, deal with challenges and assess risks.

- **Competent consultants filling key roles** – Deloitte & Touche (D&T) and XWave are the primary consultants that have been hired to assist with stabilization and related efforts. XWave is heavily involved in managing the project and coordinating the technical systems work among all parties including CNSI. They have also been

instrumental in provider outreach efforts. D&T has been providing subject matter experts from a variety of disciplines to assist with:

- assessing system viability and controls;
- preparing actuarial estimates of Medicaid liability;
- developing a strategy for reconciling Interim Payments;
- performing root cause analysis on the inventory of Suspended Claims;
- developing mechanisms and key indicators for monitoring progress; and
- providing guidance on the organizational transformation at the Office of MaineCare Services (OMS).

- **Stronger project teams taking control** – The organizational transformations occurring in OIT and OMS have resulted in management changes. The resulting management teams are more conscious of the importance of project management, the need for input from knowledgeable resources, and the requirement for OIT and OMS to work together. Project teams for specific tasks have been built with these critical elements in mind.

- **Weekly monitoring of key performance indicators** – Weekly, CNSI provides standard key indicator data from MECMS related to claims processing for that week. This data is used to develop a Key Weekly Metrics report for Management that includes the weekly figures and performance indicator trends over the past 6- 8 weeks.

- **Defined processes for setting priorities** – A Change Control Board made up of representatives from OIT and OMS is determining priorities for the many requested fixes or modifications to MECMS. A Change Control Form (CCF) is generated for each requested system fix or modification and in September there were well over 600 CCF's pending. The Change Control Board provides structure and consistency for deciding which of these many changes need to be addressed first.

- **Established protocols for making system changes** - Fixes and modifications to MECMS must now undergo substantial user acceptance testing before they are incorporated into the "production" version of MECMS. Formal, routine protocols for the user testing and final acceptance approvals are in place.

- **Progress being tracked against detailed plans and milestones** – Since September 2005, detailed plans for efforts critical to stabilizing and completing MECMS have been in place. These detailed plans include steps for transferring the operations and support for MECMS from CNSI to the State's Office of Information Technology. Target or milestone dates for specific tasks have also been established. Progress toward those milestones is regularly tracked by XWave and reported to the MECMS Steering Committee.

- **Provider input being incorporated into plans and priorities** – Regular meetings with groups of providers are held to understand the providers' concerns and get feedback on whether actions taken by the State have been fruitful. These groups include the Provider Advisory Council, made up of the executive directors of various provider trade associations, and a number of Technical Advisory groups consisting of specialists in billing, coding, etc. from different industries.

Significant strides in stabilization mode since July 2005. Slow but steady progress continues.

Efforts to stabilize MECMS have involved addressing a large number of technical system and data compatibility problems while adapting to ever changing policy rules. Significant strides in stabilization have been made since July 2005, and slow but steady progress continues. The most noticeable measure of this progress is that new claims coming into MECMS are now regularly being either cleared for payment or denied (referred to as "adjudicated") at a rate of 85%. This means that 15% of new claims coming in are suspending. In mid-June 2005, only 61% of new claims were adjudicating, 39% were suspending.

CMS Review

Federal CMS reviewed MECMS in late July to evaluate continued funding of project. Concluded MECMS had enough potential to continue funding at 90% level.

The State will not satisfy federal requirements for MECMS until MECMS is officially "certified" by CMS. CMS defines success of the MECMS project overall by the achievement of three milestones. These are:

- stabilization of the current system;
- transition of operations to State staff; and
- completion of remaining functionality necessary for HIPAA compliance and certification.

The federal CMS continues to be generally supportive of the MECMS project. CMS staff conducted an onsite review of MECMS in late July. The report from that review noted: "While the system is not yet stable, the MECMS claims engine appeared to be sufficiently robust such that it can be built upon to achieve a certifiable"[1] system. The report further noted that CMS was impressed with the recently instituted project management leadership and control elements.

Management reports regularly to Federal CMS on progress.

CMS also reported, however, that the project warranted continued monitoring and recommended another site visit within the next six months. CMS identified 12 specific risks in its report that needed to be addressed. Since the time of that report, Management has taken actions to address many of those risks. The conditions existing at the time of the CMS review have changed as a result. Management continues to keep CMS regularly apprised of its progress in reducing these risks.

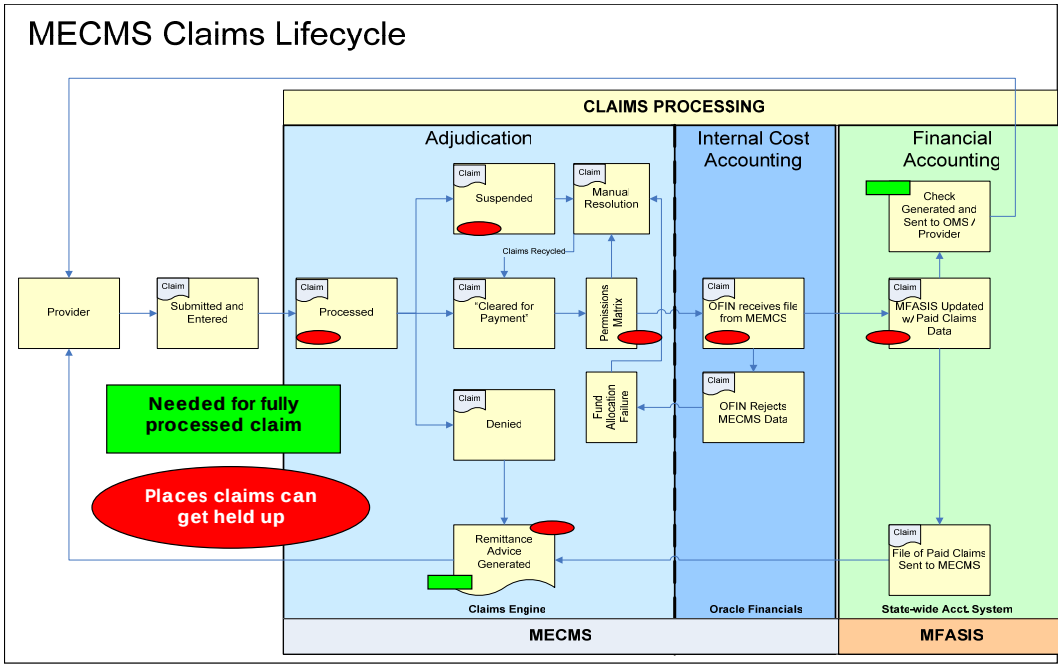
[1] Maine Claims Management Systems (MECMS) Project Review Report, Centers for Medicare and Medicaid Services, August 2005.

Unprocessed Claims

A claim is fully processed when it is either paid or denied and the decision is communicated back to the provider on a remittance advice generated by the system. For the purposes of this report, claims that have not been fully processed are referred to as unprocessed claims.

Processing MaineCare claims is complicated even with a well-functioning system. By design, the process includes edits to identify problem claims needing special attention.

It is important to note that even with a well-functioning system the processing of claims is complicated. The claims process, by design, includes a considerable number of edits that are intended to identify problem claims needing special attention.



Refer to Appendix A for more detailed description of the MaineCare Claims process.

Because of system and data problems, there have been more claims needing special attention than there are resources available to resolve them.

With a well-functioning system, however, the number of claims needing special attention should not exceed the capacity to resolve them in a timely manner. This is currently not the case. Despite the progress that has been made, a high number of claims are still being held up at various points in MECMS and in the interfaces between MECMS and MFASIS,[2] the State's financial system that generates the payments.

The manual intervention required to resolve the claims needing special attention is much more time consuming than under the old system, partly because of MECMS's relational database design. Consequently, the number of claims needing special attention is still significantly exceeding the capacity of OMS to resolve them. For the week ending December 14, 2005, 14.2% of new claims suspended adding 20,143 more claims to the inventory of Suspended Claims. OMS staff was only able to

[2] Maine Financial & Administrative State-wide Information Systems (MFASIS).

manually resolve 7,136 suspended claims within that week. Fortunately, changes to programming in the system and recycling suspended claims are helping OMS keep pace with the newer claims. This is evidenced by the fact that the percentage of suspended claims less than 30 days old has been holding fairly steady at about 26%.

Majority of unprocessed claims are Suspended Claims, many of which are getting quite old.

The majority of unprocessed claims are Suspended Claims. As of November 1, 2005, the Suspended Claims inventory included 365,113 claims of which 43% were over 90 days old. Suspended claims have proven very difficult to resolve as there are multiple reasons why a claim might suspend. Some progress is being made, however. As of November 27, 2005, the Suspended Claim inventory had dropped to 321,002 claims.

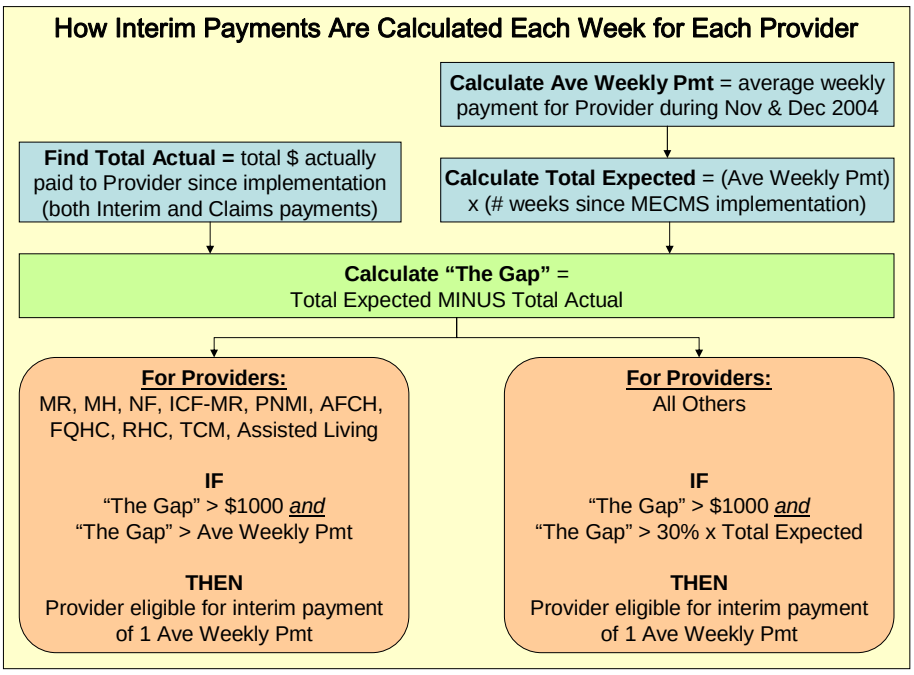
Numerous possible reasons for suspension make these claims difficult to resolve. Recently completed root cause analysis is expected to help decrease the number of Suspended Claims.

A detailed analysis of Suspended Claims has recently been completed to identify the root causes for these suspensions. Management is hopeful that actions taken to address the root causes identified will shortly result in a significant decrease in Suspended Claims.

Interim Payments

The high number of unprocessed claims has resulted in extended reliance on Interim Payments, a contingency plan that was only expected to be needed for the first several weeks after MECMS implementation. Interim Payments are estimated payments made to providers during the stabilization effort to support their continued operations while they are not receiving regular claims payments.

High number of unprocessed claims resulting in extended reliance on Interim Payments.



Interim Payments are not tied to specific claims and the timing of those payments have been unpredictable. As a result, both the State and

MaineCare providers continue to face major financial and accounting issues.

Interim Payments are helpful in providing financial support but have resulted in cash flow and accounting issues for both State and providers.

Cash flow, in particular, has been seriously affected. Some providers have been overpaid and some have been underpaid. Obviously, this affects the amount of money the State has available to pay providers overall. More importantly, however, it disrupts the providers' ability to manage their operations. Providers that have been overpaid are unsure how to handle the money knowing that the State will be seeking to recover it eventually. Some providers that have been underpaid, on the other hand, have had to use lines of credit to cover their expenses.

From an accounting perspective, the State Controller has had to rely on actuarial calculations to establish Medicaid liabilities for financial reporting purposes and for managing its budget. The State's ability to properly report to the federal government has also been affected. Providers, on the other hand, have been unable to reduce their accounts receivables. This effectively distorts the financial picture shown in their financial statements and reduces the amount of capital available for investing in their businesses.

Efforts are underway to reconcile Interim Payments and settle up with providers as well as federal government.

Ultimately, a three-way reconciliation between the State, the federal government and each provider is necessary. Management has begun the reconciliation process in a pilot effort with selected providers. Communications will soon be sent to all providers advising them of the plans for reconciliation.

MECMS Phase II

Stabilization of MECMS Phase I has delayed MECMS Phase II. Critical functionality is still missing from system.

The implementation problems with MECMS Phase I have also resulted in delaying the development and implementation of Phase II of the project. Consequently, some critical functionality is still absent from MECMS. This includes:

- HIPAA Compliance
- cross-over claims
- adjustments
- online Claims Submission/Portal Access
- remaining subsystems
  - rate setting (partially implemented in Phase I)
  - drug rebate
  - third party liability
  - Maine Medicaid decision support (reporting)
  - surveillance and utilization review
- various interfaces to external entities

Management has prioritized and focused resources on the missing functionality that affects providers the most. A web portal allowing providers some ability to view the status of their claims in MECMS has been recently completed and is now being rolled out to providers. Both the remaining HIPAA compliance components and adjustment functionality are planned to be implemented by the end of 2005. The

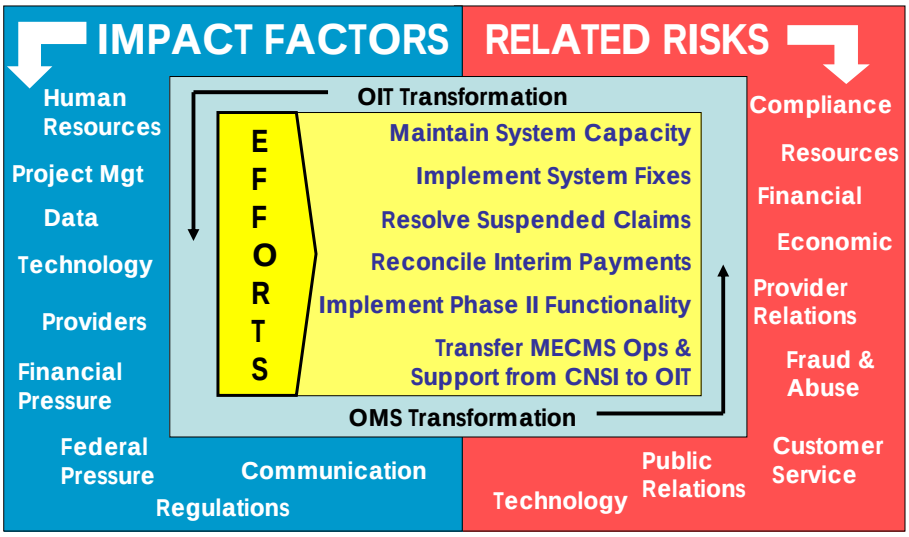
ability to process Cross-over Claims for patients that are covered by both Medicare and Medicaid is expected to be in place by early 2006.

Challenging Environment

Stabilization and other major MECMS-related efforts are ongoing simultaneously in a challenging environment. Efforts are expected to continue well into 2006.

Management's stated stabilization goal is to have MECMS operate as a "predictable and reliable" system with a manageable level of Suspended Claims that allows the elimination of Interim Payments. There is considerable work left to be done to achieve this goal. Stabilization and related efforts are expected to continue until well into 2006.

Stabilization and other major MECMS-related efforts, like Interim Payment Reconciliation and development of Phase II functionality, are now ongoing simultaneously in a very challenging environment.



Successful and timely completion of efforts is impacted by many factors. Significant related risks also need to be managed.

The two State agencies most heavily involved in these efforts, the Office of Information Technology (OIT) and the Office of MaineCare Services (OMS), are in the throes of major organizational transformations. A host of other factors, like human resources and project management capabilities, also impact the successful and timely completion of these efforts. Lastly, there are considerable risks related to the current situation that need to be properly managed to protect against further consequences. (See Appendix B for a summary and further discussion of significant challenges and risks deserving attention.)

Legislative Oversight of MECMS Situation

Current Oversight Activities

MECMS situation is being overseen by two legislative Joint Standing Committees. Management provides monthly Progress Reports to these JS Committees.

The complex MECMS situation is being overseen by two legislative Joint Standing Committees – the Committee on Appropriations and Financial Affairs (AFA) and the Committee on Health and Human Services (HHS). Management provides written Progress Reports to these JS Committees on a monthly basis and also presents the Progress Reports orally during briefings at regular monthly Committee meetings.

Oral presentations to the AFA Committee are typically given by the Commissioner of the Department of Administrative and Financial Services (DAFS) and the State Chief Information Officer or State Controller. Presentations to the HHS Committee are typically given by the Commissioner of the Department of Health and Human Services (DHHS) or the Deputy Commissioner of Health, Integrated Access and Strategy who is also the Acting Director of OMS.

Reports focus mainly on current status of claims processing, Suspended Claims, and Interim Payments.

Management's capacity to provide enough information to legislators was initially limited by an inability to get reliable and meaningful claims processing data out of MECMS. Standardized reports had not yet been developed by CNSI and the State had only limited ability to query data in MECMS on its own. Consequently, requests for performance data, like total claims suspended or denied, had to be handled by CNSI. The requested data was not always provided timely and Management had no way of judging the accuracy or completeness of the data being received.

Fortunately, this situation has improved. Deloitte & Touche assisted Management in identifying data needed for monitoring progress and worked with CNSI to establish parameters for the regular reporting of consistent performance data to the State. CNSI now provides the State with key performance data on a weekly basis that can be used by Management to monitor progress and make decisions. This is also the data that is used in the monthly Progress Reports to the legislature.

Format and content of monthly reports have improved over time. The newest report format incorporates OPEGA's suggested enhancements.

The format and content of the Progress Reports to the legislative JS Committees have changed over the months. Management has sought to include information of interest to the Committees and more data has been available. The October and November Progress Reports also incorporated suggestions from OPEGA (see Observations section of this report). In general, however, the reports have focused mainly on the current status of claims processing, Suspended Claims, and Interim Payments. Some discussion of actions taken or planned in regards to MECMS-related efforts is also included.

Legislators' Needs

Legislature plays an important oversight role as public impact of MECMS failures is widespread.

The Legislature plays an important oversight role in the MECMS situation. The public impact of the failed MECMS implementation is widespread and the public looks to legislators to see that the situation is being properly addressed. The Legislature's oversight role involves:

- identifying significant areas of concern;
- assuring management is taking appropriate and timely action; and
- evaluating whether legislative action is needed.

Effective oversight requires having proper frame of reference from which to identify areas of concern.

In a situation as complex as MECMS, context is the key to effective and efficient oversight. Legislators with oversight responsibility need a proper frame of reference from which to identify concerns and evaluate management actions. A proper frame of reference for MECMS Stabilization and related efforts can only be obtained through a sufficient understanding of the:

- major activities and processes related to MECMS;
- technical complexities involved;
- factors impacting timely resolution; and
- potential risks to be managed.

Effective oversight also requires legislators to have adequate opportunities for exchanges with management and discussions among themselves.

All legislators need to be able to adequately respond to public's questions and concerns about MECMS.

Because the public impact of MECMS is so widespread, it is important that all legislators be able to adequately respond to the public with a consistent message. This requires that all legislators have a common understanding of the MECMS situation that is supported by sufficient, accurate and current information.

Conclusions

OPEGA has formed the following conclusions as a result of this review:

Progress Reports presented to JS Committees give realistic picture of current status of stabilization and related efforts.

1. The written Progress Reports and oral briefings Management now provides to the JS Committees do present a realistic picture of the current status of MECMS Stabilization and other, significant, related efforts. The written reports have improved over time and since October have included sufficient information for legislators to monitor progress. In addition, Management has been forthcoming in its responses to questions from the Committee. OPEGA did note, however, the Management is still reliant on CNSI to provide the performance data that forms the basis of these reports.

Effectiveness of legislative oversight may be limited by insufficient understanding of significant challenges and risks.

2. Members of the JS Committees may be limited in their ability to perform effective oversight by an insufficient understanding of all the significant challenges and risks involved. (See Appendix B.) This is despite the fact that Management has demonstrated a willingness to be forthcoming and forthright in providing information. The ability of Committee members to develop a sufficient understanding of these challenges and risks has been, and continues to be, impacted by:
    a. the complicated nature of the situation in general and its individual aspects;
    b. the sheer amount of activity and degree of change that is constantly occurring;
    c. the limited amount of time JS Committee members are able to devote to grasping the complexities and staying abreast of the situation;
    d. the limited time and resources that management has available to assist legislators in developing a full understanding; and
    e. the degree to which management itself is aware of and has assessed particular challenges and risks.

    OPEGA noted that, to date, Management has not discussed with the JS Committees the root causes of the MECMS implementation failure. Consequently, Committee members are not informed about whether these root causes are also affecting stabilization efforts.

Legislators have differing information and perspectives on MECMS which affects the public's understanding of the situation.

3. Legislators have differing information and perspectives on the current status of the MECMS situation and the actions being taken by Management. This affects the accuracy and consistency of information being relayed to the public. The differing perspectives are mainly due to:
    a. considerable amount of information Management is sharing with the JS Committees is not being widely distributed to the Legislature at large; and
    b. members of the two JS Committees may receive different views stemming from the potentially different oral briefings given to each Committee.

Specific findings and observations related to OPEGA's overall conclusions are discussed in detail in the next section of this report.

Findings and Observations

OPEGA bases the specific findings and observations from this review on the premise that responsibility for improving legislative oversight of the MECMS situation is equally shared by Management and the Legislature.

Findings and observations are based on the premise that Management and Legislature equally share responsibility for improving legislative oversight.

Management obligated to:	**Legislature responsible for:**
• make Legislature aware of significant public or financial impacts • provide best information available in a timely manner and understandable format	• staying informed enough to identify areas of concern • making best use of Management's time and the information provided

A finding represents a situation where actual or potential deficiencies in internal control elements may expose the State to significant potential risks. An observation represents a situation where opportunities for improving effectiveness or efficiency exist. In the scope of this review, findings and observations represent those situations that directly affect whether or not the Legislature has a realistic picture of the MECMS situation.

Findings and observations presented relate to the specific scope of this review.

OPEGA discussed its recommended management actions with the responsible management teams at DAFS and DHHS. OPEGA also considered alternative solutions presented by management. Management actions noted in this report were agreed upon as a result of these exchanges.

In the course of this review, OPEGA also identified significant challenges and risks that deserve Legislature's continued attention. See Appendix B.

OPEGA's recommendations for possible legislative action are also presented with the relevant observation. These recommendations were included in OPEGA's November 28th Interim Report and discussed with the Senate President and Speaker of the House on December 1, 2005. They should be referred to other appropriate legislative bodies for consideration.

Outside the scope of this review, OPEGA did identify areas of concern surrounding MECMS-related efforts that deserve the Legislature's attention. These are summarized in Appendix B. The AFA and HHS Committees have focused on some of these areas and continued interest is warranted.

Finding 1

Management continues to rely on CNSI to provide MECMS performance data and has done little to independently verify the accuracy or completeness of data received. Examples of performance data provided by CNSI include:

- number and dollar amounts of claims backlogged, paid, denied or suspended in a particular period;
- number and make up of claims in the Suspended Claim inventory; and
- number of claims cleared to pay by MECMS that have not been paid by MFASIS.

Finding 1
MECMS performance data provided by CNSI is not independently verified of validated by Management.

Management has been aware of, and concerned about, the reliance on CNSI since MECMS went live and has struggled to find a way to adequately mitigate this risk. Management is reliant upon CNSI for performance data because the data queries developed by CNSI to obtain it from MECMS are large and need to be run during overnight batches. Management does not have batch processing capability at this time.

The information provided by CNSI is critical for monitoring stabilization progress; making decisions about priorities; and determining approaches to various problems. The data provided by CNSI is also the basis for reports provided to the Legislature.

While CNSI reports that it has controls in place to assure accuracy and completeness of figures before reporting them, it would be prudent for Management to establish some controls of its own. Such controls will be needed even when OIT takes over the operation of MECMS and is producing the data.

Management Action
New Quality Assurance process being designed for MECMS will include activities to validate performance data.

OIT and OMS, with assistance from consultants, are designing a continuous Quality Assurance process for MECMS. The DHHS Agency Information Technology Director and the OMS Medical Director will assure that the QA process includes activities to validate the performance data being produced by MECMS. These activities will begin no later than March 31, 2006.

Observation 1
Prior to October 2005, Progress Reports did not provide clear picture of progress over time.

Management Action
Management incorporated OPEGA's suggestions for additional data and more graphic format into a new report format first used in October 2005.

Observation 1

OPEGA noted early in its review that the monthly MECMS Progress Reports to the JS Committees did not provide legislators with a clear, complete and easily understood picture of progress over time. Nor did they allow legislators to easily correlate how that progress was being impacted by specific actions taken or planned.

At the time OPEGA discussed its observation with Management, Management was already seeking ways to enhance the Progress Reports in response to comments from the JS Committees. OPEGA shared its suggestions for improvements and Management incorporated those suggestions into a new report format that was first used in October 2005. These suggestions included:

- ✓ *use a more graphic format;*
- ✓ *focus on key statistical indicators, i.e. percentages that provide a consistent perspective where specific numbers and dollar amounts naturally vary from period to period;*
- ✓ *show trends over time;*
- ✓ *highlight actions impacting key indicators; and*
- ✓ *provide flowchart of claims process and key definitions.*

The new report format provides an increased amount of detail in a graphical manner that highlights key information. Feedback from the JS Committees has been positive so far. Consequently, the Commissioner of DAFS plans to maintain the same format for the foreseeable future.

Observation 2
Legislature has not received adequate explanation of reasons for MECMS implementation failure and corrective actions taken.

Observation 2

Management has not provided the Legislature with an adequate explanation of the reasons for the MECMS implementation failure or of the corrective actions that have been taken to address them. The Legislature needs to understand the underlying causes of this situation in order to properly assess whether those causes continue to present areas of concern for MECMS stabilization.

Some members of the AFA and HHS Committees have asked for a full post-mortem review of the MECMS implementation in order to identify causes and individuals who should be held accountable. Performing such a review at this time would only divert attention and resources away from resolving the current problems. Management has appropriately focused first on getting MECMS stabilized rather than reviewing the details of historical events and decisions.

However, even without such a post-mortem, Management does have a good sense of some of the underlying root causes that led to the failed implementation. From talking with Management and consultants on the

MECMS project, OPEGA has noted the following root causes which could be discussed with the Legislature:

- large, complex system required to incorporate complicated and changing regulatory requirements;
- a culture of operational expediency, i.e. short-term focus;
- organizational structure with IT function housed within DHHS;
- inadequate planning and risk assessment on many fronts;
- chronically constrained financial resources and staffing;
- insufficient system implementation capacity (i.e. knowledge, skills, resources) in the agency with responsibility for the project;
- heavy reliance on the contracted developer who had no prior experience with claims management systems;
- lack of project management discipline and skills on part of both DHHS and contractor;
- inadequate contract management;
- failure to adhere to an industry accepted System Development Lifecycle Methodology;
- minimal involvement of OMS workers and providers who would need to use the system;
- inadequate system testing;
- dismissal of the consultant filling the role of Independent Verification and Review (IVR) required by federal CMS part way through the project without hiring a replacement; and
- pressure from federal CMS.

Management has indirectly implied that these factors affected the MECMS implementation in various exchanges with the AFA and HHS Committees. In fact, Management has taken actions to address many of these root causes in order to make progress on stabilization or as part of the OMS transformation. Some of these factors had also resulted in troubled system implementations in other State agencies and the OIT transformation was initiated to deal with them. However, Management has not discussed these contributing factors in direct response to the Legislature's question of what caused the MECMS implementation failure.

Management Action
If requested, Management will give a presentation on root causes of MECMS implementation failure, as noted by OPEGA to JS Committees of jurisdiction.

Management is willing to discuss the root causes noted by OPEGA with the Legislature as well as the actions that Management has taken to address them. If requested to do so, the Chief Information Officer and Acting Director of OMS will prepare and deliver a presentation to the JS Committees of jurisdiction.

Observation 3
Legislative forums have not been adequate to support effective oversight in this complex situation.

Observation 3

Legislative forums for gathering, discussing and digesting information about MECMS have typically not been adequate to support effective oversight in this complex situation. As a result, legislators with oversight responsibility have found it difficult to develop a full frame of reference from which to identify areas of concern and evaluate Management's actions. OPEGA has observed that:

1. Time available during typical JS Committee meetings is limited and thus limits exchanges with Management as well as discussion among Committee members. The Committee members ask many relevant questions but there often is not time for a full exploration of the answers and related issues. There are also additional challenges and risks that the Committees do not focus on or have an opportunity to discuss with Management.

2. AFA and HHS Committees may hold differing views of the situation despite receiving the same written reports. The oral briefings to the AFA and HHS Committees are generally given by different presenters and the briefings occur at different points in time. In addition, questions asked and answered often differ between Committees.

3. Legislators have sometimes expressed concern that they are not sure which questions are the most important ones to be asking. (See Appendix B for suggested questions.)

OPEGA offers the Legislature the following oversight suggestions for improving the legislative forums. These were included in OPEGA's Interim Report released on November 28, 2005.

Recommendation 3A
Provide opportunities for fuller discussion of status, challenges, and risks by creating special MECMS oversight committee OR increasing time spent during regular JS Committee meetings.

Provide opportunities for fuller discussion of status, challenges and risks for all MECMS-related efforts by:

1. Creating a special committee to focus solely on oversight of key MECMS-related efforts, **OR**
2. Increasing time spent on MECMS-related efforts during regular AFA and HHS Committee meetings.

If a special committee were to be created, it should consist of members from both the AFA and HHS Committees. This would mean that Management would report to the one special committee whose members would keep the full AFA and HHS Committees informed of the MECMS situation.

Recommendation 3B
Reduce time spent on Management's oral walkthrough of written Progress Reports to increase time available for fuller discussion of challenges and risks.

Reduce the time spent on Management's oral walk-through of written Progress Reports in order to spend more time on questions and answers with fuller discussions of challenges and risks. The written Progress Reports provided to the JS Committees in advance of the meeting now contain a considerable amount of information. If Committee members were able to review the materials before the meeting, they would already have a good sense of current status. Management could then limit the oral presentation to just key highlights and topics that warranted a fuller discussion.

OPEGA observed the November 30, 2005 Management briefing on MECMS given to the AFA and HHS Committees. OPEGA noted that Management spent less time on the oral walk-through of the Progress Reports than usual. It also appeared that Committee members had read the Progress Reports in advance as there were not many questions asked where the responses were already in the Progress Reports. As a result, there was an improvement in the quality and quantity of discussion around an increased range of topics. Such an approach should continue.

Recommendation 3C
Arrange for AFA and HHS Committees to meet jointly to receive briefings on MECMS-related efforts.

Arrange for AFA and HHS Committees to meet jointly to receive oral briefings on MECMS-related efforts whenever possible. Joint briefings would help assure that both Committees get consistent information and perspectives on the situation.

When it is not possible for Committees to meet together, information gleaned during each briefing that is not included in written Progress Reports should be shared between Committees. This should include a summary of important questions and answers. Non-partisan legislative staff might be of assistance with this information exchange.

The AFA and HHS Committees did receive the November briefing jointly because of other agenda items that required their combined attention. It provided OPEGA with a good opportunity to observe whether joint briefings would indeed be worthwhile. OPEGA noted that there did appear to be added value from this arrangement. AFA members appeared to benefit from hearing the concerns of HHS members and vice versa. There was also a sharing of information that occurred because of the joint meeting that had not been occurring before. For example, documents prepared by DHHS in response to previous questions posed by the HHS Committee were also distributed to the AFA Committee at this meeting. One AFA member commented that she was pleased to get this document because she had the same question.

Recommendation 3D
Utilize non-partisan staff to help JS Committee members obtain an adequate frame of reference for identifying areas of concern.

Utilize non-partisan legislative staff to help JS Committee members obtain an adequate frame of reference for the MECMS situation. JS Committees are staffed by analysts from the non-partisan legislative Office of Policy and Legal Analysis (OPLA) and the Office of Fiscal and Program Review (OFPR). These analysts could gather and provide contextual information that would assist Committee members in identifying areas of concern to discuss with Management. For example, analysts could help provide Committee members information about:

- key processes and activities related to MECMS;
- technical terms and acronyms used by management;
- roles and responsibilities of the major parties involved in MECMS-related efforts and the relationships between them all;
- Maine's experience in implementing this system compared to other states;
- key requirements of HIPAA; and
- basics of the technologies involved.

OPLA and OFPR analysts might also assist Committee members in assessing the challenges and risks presented by the situation to provide focus on those that are most troublesome. For example:

- to what degree is the State really at financial risk?
- to what degree is the State truly at risk of losing providers from the MaineCare program?
- what are the potential consequences if the milestone dates for completing stabilization and other efforts are not met?

The ability of non-partisan staff to be helpful in this regard will be limited by other competing legislative priorities and the amount of information they are able to obtain from Management and other sources. OPEGA has shared some information that may be helpful to legislators through this report, including a summary of challenges and risks that warrant attention (see Appendix B).

Observation 4
Information obtained by AFA and HHS Committees is not shared with all other legislators.

Observation 4

Knowledge obtained by the AFA and HHS Committees about the MECMS situation is not routinely shared with all other legislators. Despite the fact that Management is providing a considerable amount of information to these Committee members, there is a lack of information among other legislators. This affects the legislators' abilities to adequately inform and respond to constituents. It also contributes to the circulation of inconsistent, and sometimes inaccurate, information in the public at large.

Recommendation 4
Share MECMS-related information among all legislators by distributing monthly Progress Reports or providing summaries and highlights of oral briefings.

Share information obtained by the AFA and HHS Committees with all other legislators. Options for accomplishing this include:

- distributing the monthly Progress Reports and other materials submitted to the Committee via mail or website;
- preparing and distributing a written summary of significant questions and answers from Committee meetings;
- developing and distributing regular summary bulletins on MECMS-related efforts; and
- notifying all legislators in advance of AFA and HHS meeting agendas that include a MECMS update so they can choose to attend or listen in on the Internet.

Non-partisan and partisan legislative staff could help facilitate the distribution of information.

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- Representatives from Deloitte & Touche, XWave and CNSI;
- MaineCare providers;
- Legislators; and
- Non-partisan legislative staff from the Office of Fiscal & Program Review and the Office of Policy & Legal Analysis.